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FIRST COUNTRY COOPERATION FRAMEWORK FOR JORDAN (1998-2002)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Jordan covers the five-year period 1998-2002 and resulted from extensive consultations between the Government of Jordan and UNDP. It outlines the agreed strategy and areas of focus for all UNDP cooperation for the period, factoring in not only the nature of the UNDP mandate and the scope of its resources, but also the future plans of other international, regional and bilateral governmental and non-governmental partners, including other United Nations agencies with an active field presence in Jordan. Finally, the CCF draws from the unequivocal commitment of both the Government and UNDP to policies that promote sustainable human development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. The continued expansion of Jordan's economy in recent years demonstrates a resilience uncommon among the Arab world economies. Despite suffering major setbacks from the 1990-1991 Gulf crisis and its continuing after-effects, Jordan's real gross domestic product (GDP) growth rate has consistently outdistanced the regional average for the Middle East in the 1990s.

3. In 1992, Jordan's GDP grew by 16.1 per cent, while the Middle East average was only 7.3 per cent. In the following year, the gap narrowed, as Jordan's GDP grew by 5.9 per cent against the regional average of 4.8 per cent. In 1994, declining oil prices drove the average regional GDP growth rate down to 2.0 per cent, but Jordan's GDP growth remained steady at 5.9 per cent. In 1995, the country's GDP grew by 6.4 per cent to reach the level of US$ 1,595 per capita and estimates see further growth by 5.3 per cent in 1996.

4. Through sound monetary and fiscal policy, Jordan has reined in inflation from a 1989 high of 25 per cent to a 1995 low of only 3.6 per cent. Although the unemployment level remains high, a slow decline is emerging as the demand for Jordan's skilled but low-cost labour force picks up both at home and abroad. From a high of 18.8 per cent in 1991, unemployment fell to around 15 per cent.

5. Much of Jordan's recent economic success resulted from the implementation of its structural adjustment package with the International Monetary Fund (IMF), first signed in April 1989 and renegotiated in October 1991 for a seven-year period. The package, which is the basis of Jordan's Economic and Social Development Plan for the period 1993-1997, aims at restoring economic growth, stabilizing the exchange rate of the dinar, curbing inflation, and reducing the debt burden along with the balance-of-payments deficit. The aim of these changes in Jordan's macroeconomic environment is to provide better employment opportunities and improve quality of social services for the population's low-income segments.

6. Many of these objectives have been achieved. The Government's budget deficit dropped in 1996 to a modest 4.1 per cent. The country's long-standing trade deficit narrowed significantly: exports grew by 293 per cent between 1985 and 1995, while imports increased by only 141 per cent. In 1994, Jordan's trade

gap narrowed by 7 per cent; in 1995 it shrank by another 1.1 per cent, as exports skyrocketed by 24.7 per cent and imports grew by only 9.8 per cent. A gradual shift away from consumption to savings also took place: Jordanians devoted 15 per cent of their GDP to savings and investment in 1995. To encourage foreign investment, Jordan passed legislation providing tax incentives, expanded its free-zone system, and streamlined its investment procedures.

7. Addressing the Jordanian Parliament at its opening in November 1996, His Majesty King Hussein enunciated Jordan's current policy orientation. He renewed Jordan's commitment to structural adjustment reforms and macroeconomic stability and stressed the need for a solid and open economy which can interact and integrate with Arab economies and merge with the world economy in an equitable and balanced relationship. His Majesty strongly emphasized public sector reforms designed to simplify government procedures and remove red tape for the average citizen and the investor alike, along with other measures that would make procedures transparent and fair, protect public funds, and guarantee previous gains from development.

8. King Hussein also announced new government measures to strengthen the social safety net by means of an integrated social package in order to contain the effects of poverty, tackle the problem of unemployment, and narrow the gap separating the various strata of society, with the ultimate objective of stimulating productivity and achieving the required level of prosperity and sustainable development.

9. Despite this impressive array of positive indicators for the short to medium term, there are several signs that the progress of recent years may not be sustainable in the medium to long term. Sustainable human development in Jordan is jeopardized primarily for the following reasons: (a) Jordan's population growth rate, at close to 3.4 per cent per annum, is among the highest in the world, and is bound to result in severe strains on the country's carrying capacity, in terms both of natural resources and of social infrastructure; (b) already among the world's most water-starved countries, Jordan faces increasing deterioration in the quality and quantity of its water resources because of growing demand for irrigation and urban water supply. The threat of severe land degradation is also growing as a result of inadequate land-use planning, urban encroachment, soil erosion, and poor waste disposal methods. Moreover, modern living is gradually encroaching on Jordan's biodiversity and natural habitat; (c) owing to the high proportion of minors in the population, Jordan has a very high dependency ratio. As a result, the cost to the Government of providing adequate social services to everyone is growing at an alarming rate. The Government thus faces a difficult choice between increasing the tax burden to support such services to a larger population, or reducing the scope and quality of its services; (d) by and large, the increasing wealth in Jordan in recent years has largely bypassed the poorest 20 to 30 per cent of the population. In fact, the country's income distribution is more skewed today than 10 years ago, and there are many disturbing signs that poverty is becoming both more widespread and more deep-rooted. One key reason is Jordan's inability to generate new jobs for the tens of thousands of new entrants into the labour market every year; (e) much of Jordan's recent economic growth has been created in sectors that were heavily shielded against international competition. Once

Jordan joins the World Trade Organization (WTO) and ratifies its Euro-Mediterranean Agreement with the European Union, many structural changes will have to be introduced, some of which are likely to cause severe disruption to the economy if not properly handled.

II. RESULTS AND LESSONS OF PAST COOPERATION

10. Jordan has faced many difficulties in the 1990s because of severe fluctuations in the volume and nature of its external aid flows, largely resulting from external factors of a political nature. Jordan received large sums of aid during the Gulf War to compensate for trade disruptions and the sudden inflow of refugees and returnees from the Gulf States. Soon after the war, however, foreign aid flows declined significantly. In 1994/95, they rose substantially again, largely in response to Jordan's active support of the Middle East peace process, as many of the OECD donor nations attempted to ensure that the peace process brought tangible benefits for the average Jordanian.

11. In the 1990s, Jordan's main donors have been Japan, the European Union, the United States of America, Germany, the United Kingdom, France, and Italy, while its principal providers of concessional loans have been IMF, the World Bank, Japan and the European Investment Bank. As a result of external events, however, Jordan's aid flows have suffered severe fluctuations, from a low of 6.3 per cent of GDP in 1989 to a high of 17.1 per cent of GDP in 1991. This fact puts Jordan in a very vulnerable situation.

12. The fifth country programme for Jordan (1992-1997) clearly shows the unpredictable nature of Jordan's foreign aid flows. Its design assumed that the UNDP core contribution would amount to $7.091 million and that the Government would provide an additional $3.0 million as programme cost-sharing. In the end, the level of core funding fell by almost 50 per cent, and programme cost-sharing by the Government turned out not to be feasible. As a result, the projects foreseen in the original country programme had to be cancelled or scaled back.

13. The fifth country programme opted for four areas of concentration: (a) human resources development; (b) macroeconomic management; (c) natural resources management; and (d) support to productive sectors. Examining the programme's impact, the mid-term review in 1995 concluded that, while many of the projects launched served the broad objectives originally agreed, most did so in a more fragmented manner and on a smaller scale than first envisaged. The key lessons drawn from this experience are: (a) realistic financial projections are a must at the planning stage; (b) the Government's ability to provide significant cost-sharing support is vital in assessing the viability of new projects; (c) four broadly defined areas of concentration are too many for a modest-sized programme; and (d) while diversity in choosing programming areas is useful given the many diverse needs of the country, it is critical to have within each area of concentration a relatively precise subprogramming focus.

III. PROPOSED STRATEGY AND THEMATIC AREAS

14. For decades, the Government of Jordan regarded UNDP primarily as a donor much like other donors. In the current situation, however, the principal asset of UNDP is not so much the volume of its resources, but rather its unique institutional characteristics. These include its central coordinating role within the United Nations system, its multisectoral mandate, its detachment from political and commercial interests, its strong local presence, its ability to mobilize the necessary expertise with equal ease from either the global or the local consultancy market, and its time-tested mechanisms for mobilizing and combining funds from multiple sources into one integrated programme.

15. Against this background and given the complexities of the national development situation, it is proposed that UNDP focus the entire assistance package for the 1998-2002 programme cycle on targeted interventions to strengthen the sustainability of Jordan's recent economic and social progress. The overriding objective will be to safeguard and expand Jordan's achievements both in the economic sphere and in terms of human development. In so doing, UNDP will seek to incorporate the advancement of women and gender concerns as "mainstream" objectives in all its programmes, thereby lending full support to the National Strategy for Women adopted by the Government in 1996.

16. On the basis of the above analysis and strategic considerations, the Government recommends that UNDP assistance activities in Jordan in the 1998-2002 period focus on the following areas of concentration: (a) governance, with special emphasis on capacity-building in the public sector; (b) poverty reduction, with special emphasis on social integration; and (c) protection of the environment, with special emphasis on conservation of natural resources.

A. Governance

17. Jordan's public sector is large in relation to the level of domestic economic activity. The expenditures of central government institutions account for approximately 35 per cent of GDP, while government revenues (excluding foreign grants) represent approximately 30 per cent of GDP. The quality of services provided by the public sector in Jordan is comparatively good, especially in the urban areas, and social indicators regarding literacy, nutrition and health conditions are satisfactory, considering the resources available. Even so, a rapidly growing population and rising expectations is exerting pressure on the public sector to accomplish more, both in the quantity and quality of social services and in the form of regulatory support for private sector development.

18. UNDP has a long-recognized track record of assistance to the Jordanian public sector, and is well equipped to support continued reforms to upgrade public sector efficiency. During the coming cycle of assistance, UNDP will focus its efforts on two distinct subprogrammes, one aimed at capacity-building for public sector resource management, and another intended to build capacity for management of Jordan's integration into the global economy.

19. Resource management. A key policy element of the structural adjustment programme being carried out by Jordan with assistance from IMF and the World Bank is the substantial reduction of the huge fiscal deficit of the 1980s through restraints in current expenditures and expansion of the revenue base. Although major progress has been made in recent years, the Government's revenue collection system lacks sufficient capacity. This subprogramme aims at upgrading the Ministry of Finance's capacity to manage its resources, through more efficient planning, budgeting, and revenue collection. It will also include assistance to strengthen the aid coordination and management capacity of the Ministry of Planning and support resource management at the local government level through a decentralization initiative.

20. This subprogramme ultimately seeks to improve the fiscal balance of the Government, enabling it to maintain and expand its social services delivery at both the central and the local level and improve the country's self-reliance in the face of fluctuating or declining foreign aid flows. To pursue these goals, UNDP will build on the promising results achieved through new projects initiated in 1997 in the Budget Department, the Customs Department and the Income Tax Department. Given the necessary resources, this subprogramme can expand to include UNDP assistance towards capacity-building and technical support for the Government's privatization efforts, ensuring that optimal benefits will accrue to the country and the Government from the divestiture of public assets.

21. Economic integration. Jordan's economy is critically dependent on access to larger markets and to external resources, e.g., through investment, tourism and remittances. For years Jordan has existed in an abnormal trade environment: Israel's border was closed, trade with Iraq was severely restricted by international sanctions, and many domestic producers were "cushioned" against competition by tariff protection, or had lower-than-usual production costs owing to lenient quality control and the absence of an intellectual property protection regime.

22. The abnormalities in Jordan's trade environment are slowly being removed. The border with Israel is now open, and trade with Iraq is opening up in the context of the food-for-oil agreement. Although marred by many setbacks, the Middle East peace process has opened up new commercial contacts. Jordan has recently concluded a Euro-Mediterranean Agreement which will liberalize trade relations with the European Union and can expect within a year or two to be admitted to membership of WTO.

23. Jordan is politically committed to closer integration into the global economy, but is insufficiently prepared institutionally to cope with the accompanying domestic changes and the new, fiercely competitive commercial environment. UNDP will make the expertise of the United Nations system available to Jordan to facilitate the integration process, ensure that Jordan derives optimal benefits from it, and that the necessary institutional capacity is built up to guide and support Jordan in adapting to a new set of competitive ground rules. Jordan will also benefit from several regional UNDP-funded projects related to trade facilitation, intellectual property protection, and WTO membership.

24. This subprogramme of capacity-building to manage Jordan's integration into the global economy will also address the country's needs in the field of investment promotion. Jordan is often seen as an island of stability in a turbulent region; as such it has an advantage over other countries in the region. But as long as important obstacles exist to regional trade and the "micro-climate" for foreign investment is unknown, Jordan is unlikely to attract major foreign investments. UNDP will assist the Jordanian Investment Promotion Corporation in articulating a long-term investment promotion strategy and gain access to know-how on the "best international practices" in investment promotion.

25. The ultimate objective of this subprogramme is to equip Jordan institutionally to manage the process of integration into a competitive international environment. The eventual success of government efforts to which this subprogramme is meant to contribute will manifest itself in a favourable balance-of-payments position, a strong export-driven economic growth, the creation of many new jobs in export-oriented sectors, whether in agriculture or in industry, and a continuous inflow of productive foreign investment.

B. Poverty reduction and social integration

26. A detailed government study on poverty published in 1993 concluded that 21 per cent of all families (about 880,000 people) were living in absolute poverty, while 7 per cent (about 273,000 people) were living in abject poverty. The study registered a dramatic increase from the findings of a 1987 study which found that 16 per cent were living in absolute and 2 per cent in abject poverty. This deterioration resulted partly from the recession caused by the Gulf War crisis and partly from growing income disparities. The poor in Jordan are most likely members of large households and possess a low level of education; they live in urban areas and are either largely unemployed, or employed at very low levels of remuneration.

27. The Government of Jordan recognizes the importance of social development and is implementing policies to alleviate poverty and unemployment. Jordan has an extensive and multi-faceted social safety net supported by the Government and non-governmental organizations (NGOs). It provides free education, cash transfers, health-care subsidies, food coupons and other in-kind support, assistance for the chronically poor, and employment via loans for income-generating projects.

28. However, Jordan's social safety net suffers from several inadequacies: no comprehensive strategy and policy framework exist to reduce poverty, poverty and hardship levels are not systematically monitored, assistance programmes and imprecisely targeted existing resources are insufficient to meet vital needs, and public awareness of the poverty problem's severity is very limited.

29. Many of these weaknesses were recently addressed in a comprehensive manner through the Government's ambitious Social Productivity Programme, actively funded by the World Bank and UNDP. UNDP has been requested to support the following key components of the Social Productivity Programme: (a) expansion of the social safety net's coverage; (b) job-related skills training for the

unemployed; and (c) micro-credit schemes for income-generation among low-income population groups.

30. Within the framework of its Poverty Strategy Initiative, UNDP will also contribute to: (a) establishing a Social Survey Unit mandated to monitor and measure poverty and hardship levels; (b) elaborating an anti-poverty strategy as a follow-up to the Copenhagen Social Summit; (c) preparing annual Human Development Reports for Jordan to highlight the implications for Jordan of the human development concept; and (d) launching a public awareness campaign on the pressing need to integrate the poor into the social fabric of the country.

31. The programme's ultimate objective is to ensure that the Government is equipped with the necessary tools to maintain poverty eradication as an acute concern on the national development agenda and to reduce the country's actual poverty level by a substantial margin. As a result, Jordan's poor will have significantly better opportunities of becoming integrated into the national economy and lifting themselves up by means of appropriate access to marketable skills, affordable credit, and other assets that are essential for sustainable livelihoods.

C. Environment

32. Most of Jordan's severe environmental problems arise from an extreme water shortage. The acute nature of the water crisis results in existing water resources being exploited at close to 150 per cent above the levels of sustainable yield. Significant quantities of non-renewable fossil water are also now being tapped from aquifers in the south of the country.

33. Land degradation is the second most important environmental threat in Jordan. It is caused primarily by inadequate land use planning, soil erosion, deforestation, deterioration of range lands, urban encroachment, and poor solid waste disposal methods. The continuous loss of arable land is particularly serious given the fact that more than 75 per cent of Jordan's surface is subject to a desert climate with less than 200 mm of rain annually.

34. Jordan has a rich diversity of animal and plant life that varies significantly from the Jordan Valley and the Mountain Heights Plateau to the Badia Desert region. During the present century, the country's natural habitats and biodiversity have declined seriously because of desertification, drought and overhunting. This trend threatens not only the livelihood of many communities, but also the country's growing tourism sector.

35. Jordan has adopted a National Environmental Action Plan which prioritizes environmental issues and proposes various solutions. With funding from the Global Environment Facility (GEF) and other international resource windows, UNDP will assist Jordan in selected components of this Environmental Action Plan.

36. Although water shortage and management is a high government priority, most of the required solutions demand resources above the capacity of UNDP. Since major donors (e.g., the United States Agency for International Development (USAID), the German Agency for Technical Cooperation (GTZ) and the Japan

International Cooperation Agency (JICA) are active in this field, UNDP will limit its involvement to consolidating the central water database established earlier with UNDP assistance, and will leave addressing Jordan's land degradation problems to the World Food Programme's large-scale programme "Support to Participatory Land Improvement".

37. UNDP assistance will focus on capacity-building and institutional strengthening of the governmental agencies and NGOs concerned so as to enable them to: (a) design and carry out environmental impact assessments of new infrastructure and other investment projects; (b) fulfil their reporting obligations based on international agreements and conventions; (c) implement biodiversity and conservation measures for important wetlands and wildlands and for Jordan's Red Sea coast; (d) design and implement public awareness programmes on the environment; and (e) introduce new techniques for energy production from solid waste. Continued close cooperation with Jordan's environmental NGOs will be emphasized, within the GEF Small Grants Programme and through other mechanisms.

IV. MANAGEMENT ARRANGEMENTS

38. National project execution has increasingly become the implementation modality for new UNDP-funded projects in the first half of the 1990s. In view of the positive results so far, national execution will remain the preferred implementation mode and become the norm for the coming programme cycle, promoting and strengthening national ownership. Whenever appropriate, specialized agencies will be called upon as cooperating agencies to provide substantive backstopping, international expertise, and procurement and training of a complex nature.

39. The Government has no central unit to deal with nationally executed projects. The institutions responsible within line ministries will discharge their responsibility individually. However, a coordination mechanism will be set up between various nationally executed projects to share information and experiences and to ensure consistency in applying procedures.

40. A few national NGOs have the capacity to serve as subcontractors in UNDP projects; some of them, especially in the field of environment and social welfare, could be chosen as implementing agencies for UNDP-funded projects. Finally, the technical cooperation among developing countries (TCDC) approach will be adopted on a case-by-case basis.

41. Progress in implementing the CCF for 1998-2002 will be reviewed in depth by mid-2000. Following the full synchronization of the programme cycles of all the agencies of the Joint Consultative Group on Policy (UNDP, the United Nations Population Fund, the United Nations Children's Fund and the World Food Programme) effective January 1998, a review exercise will be undertaken jointly by all four agencies, in an attempt to promote even closer inter-agency cooperation and cross-fertilization.

42. UNDP will utilize its limited core funds as seed money. Government cost-sharing in high-priority projects will become the norm. Bilateral donors will

be invited to become partners in projects that match their priorities through cost-sharing and/or trust fund contributions. Non-core funding available at UNDP headquarters and in the sustainable development funding schemes like GEF will be relied upon for the "incremental costs" of important environment interventions; the possibility of private sector partnerships in various fields will also be actively pursued.

43. On the basis of this strategy, UNDP will try to mobilize close to $24 million for the 1998-2002 programme period. The attached resource mobilization table gives a detailed breakdown. About 10 per cent of the overall envelope will come from UNDP core funds, with an additional 48 per cent drawn from the sustainable development funds at headquarters level such as GEF and Capacity 21.

44. Cost-sharing contributions from the Government of Jordan are estimated to account for 18 per cent, while the remaining 24 per cent will be mobilized from bilateral donors and other external sources. If these targets are met, the portfolio of activities carried out under the auspices of UNDP during the period of the first CCF will total $4.8 million per year, exactly 10 times the UNDP assignment of core funds to Jordan.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR JORDAN (1998-2002)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	-	
TRAC 1.1.1	2 166	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	116	
Subtotal	2 282[a]	
NON-CORE FUNDS		
Government cost-sharing	4 440	
Sustainable development funds	11 500 of which:	
GEF	10 700	
Capacity 21	800	
Third-party cost-sharing	3 400	
Funds, trust funds and other	2 300 of which:	Trust funds = Japanese Gender-in-Development Trust Fund, Swedish Consultancy Fund, and others.
UNIFEM	800	
Poverty Strategy Initiative	700	
Trust funds	500	
Private sector	300	
Subtotal	21 640	
GRAND TOTAL	23 922[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; and UNIFEM = United Nations Development Fund for Women.